

PREFACE/CLASS OUTLINE
ACQUISITION AND LOGISTICS EXCELLENCE WEEK 2001

TOPIC: Services Acquisition

LENGTH/TYPE 1 hour Seminar/Lecture

SCOPE: Federal agencies spend billions of dollars each year to buy services ranging from consulting services to information technology services, and services to support the management and operation of government facilities. The amount is growing substantially. Purchases for services now account for about 43 percent of federal contracting expenses – the largest single spending category! The Services Acquisition module describes the DoD and Federal imperatives and rationale to move from a ‘process-based’ services environment that concentrates on *how to perform* to ‘performance-based’ services that describe *outcomes* and holds the contractor responsible to propose the process that will achieve the activity’s outcomes. The Services Acquisition module incorporates concepts found in DoD’s January 2001 Guidebook for PBSA. It provides a roadmap for the multifunctional team to follow as they develop a PBSA. Requiring activities, functional specialists, contracting professionals, and other stakeholders are prime candidates to attend. The lecture continues with a 4-Step Requirements Analysis process to: (1) determine required tasks; (2) identify tentative performance standards (3) develop metrics to measure performance; and (4) identify data, equipment and facility requirements. Participants who grasp and apply this process will find the task of writing the Performance Work Statement (PWS) much less formidable. The module closes with a matrix used to integrate the information from the 4-Step analysis into a standard six paragraph PWS.

OBJECTIVES: At the completion of this workshop, the participant will be able to:

1. Understand the performance and streamlining benefits from using performance-based services.
2. Recognize the 4-Step Requirements Analysis to identify requirements, standards, metrics, and work data.

MATERIALS:

Presentation Charts



Welcome to the “Acquisition of Services” module for Acquisition and Logistics Excellence week! This instruction contains the latest policy and guidance from DoD on acquisition of services using performance-based methods. The presentation also offers a ‘do-er’ level approach to requirement analysis which is arguably the heart of performance-based services. As we develop this topic, I’m certain you will agree with and support the emphasis placed on performance-based techniques for services.

[To the Instructor: This module is adapted from BRTRC’s highly popular 2-day *Performance-Based Services Acquisition Workshop*. Several charts are animated to vary the presentation; these charts will ‘work’ only when using *Powerpoint* in the Slide Show mode.

All charts contain instructor notes which describe the main points of the chart. Some charts provide additional information or tips in brackets [].

Several preparatory reviews will make for a better presentation. The author is Rich Zimmerman, BRTRC. Please phone him at (703) 205-1572 or e-mail **rzimmer@brtrc.com** with questions.]

WEEK


Learning Objectives

Understand the benefits and objectives of Performance-Based Services Acquisition.


Recognize and apply the 4-Step Requirements Analysis process to identify tasks, standards, metrics and work data.

Recognize Performance Assessment (Quality Assurance) methods and situations for their use.

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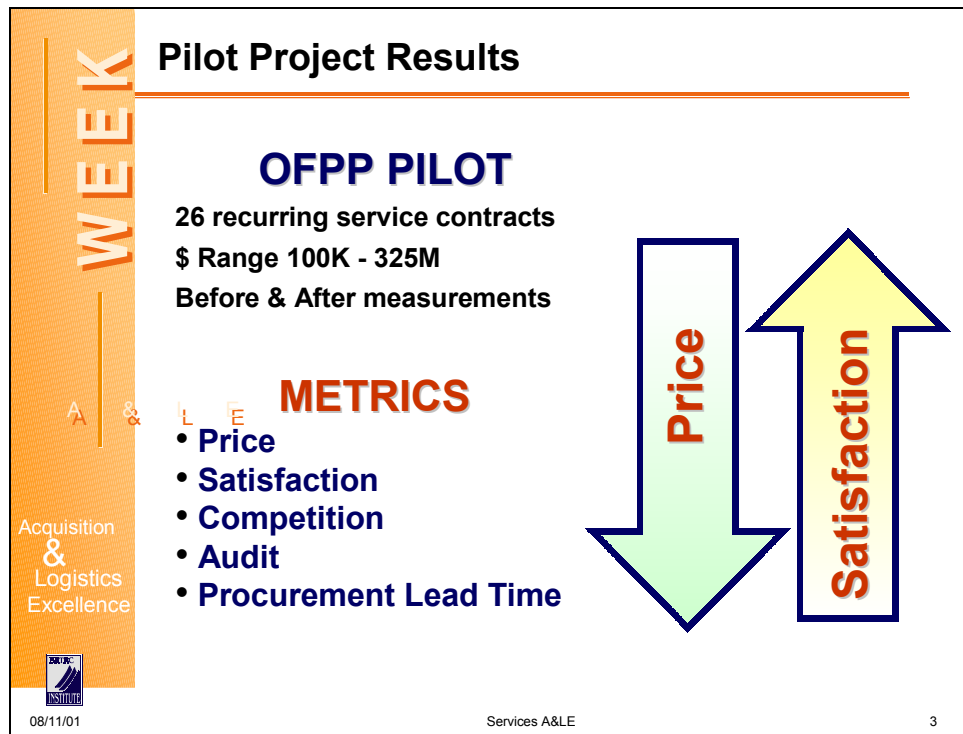


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OBJECTIVES: At the completion of this module, the participant will:

1. Understand the performance and streamlining benefits from using performance-based services acquisition process.
2. Be familiar with the 4-Step requirements analysis process to identify tasks, standards, metrics, the leeway allowed by the Government in performance of tasks, and work data.
3. Recognize Quality Assurance surveillance methods and situations for their use.



The Office of Federal Procurement Policy (OFPP) completed a Government-wide pilot project to implement Performance-Based Service Contracts (PBSC) methods on contracts for recurring services and to measure PBSC impact.

26 service contracts from across the federal government ranging from \$100K to \$325M were included in the project. After conversion to performance-based contracts, the results demonstrated a 15% nominal price reduction, and an 18% increase in satisfaction with contractor performance. Additionally, the average number of offerors increased from 5.3 to 7.3 using PBSC. The total number of contract audits decreased 93% in view of conversions from cost-reimbursement to fixed price contracts.

The total procurement lead time increased 38 days from 237 to 275. Average solicit to award lead time increased 33 days from 140 to 173 days. Lead time increases were greater for technical and professional services. Lead time did not increase for non-technical services.

The results of the project demonstrate that Performance-Based methods enable agencies simultaneously to obtain improved performance and reduce prices. However, reducing cycle time is a major OSD initiative that will require more work.


WEEK

Trends & Challenges in Acquiring Services

Each year, federal agencies buy billions of dollars worth of services. **The growth of services has largely been driven by the government's increased purchases of information technology services and administrative, and management support services.** The federal government spent more than \$87B on services in 2000 - a 24% increase in real terms from FY 90. **Purchases of services now account for about 43% of federal contracting expenses - the largest single spending category.** Some service procurements are not being done efficiently. Agencies are not clearly defining their requirements, fully considering alternative solutions, and adequately overseeing performance. Poor contract management undermined the government's ability to obtain good value for the money and continues to be a major problem. **Performance-based services acquisition is one way to address the contract management challenges.**

- GAO-01-753T May 2001

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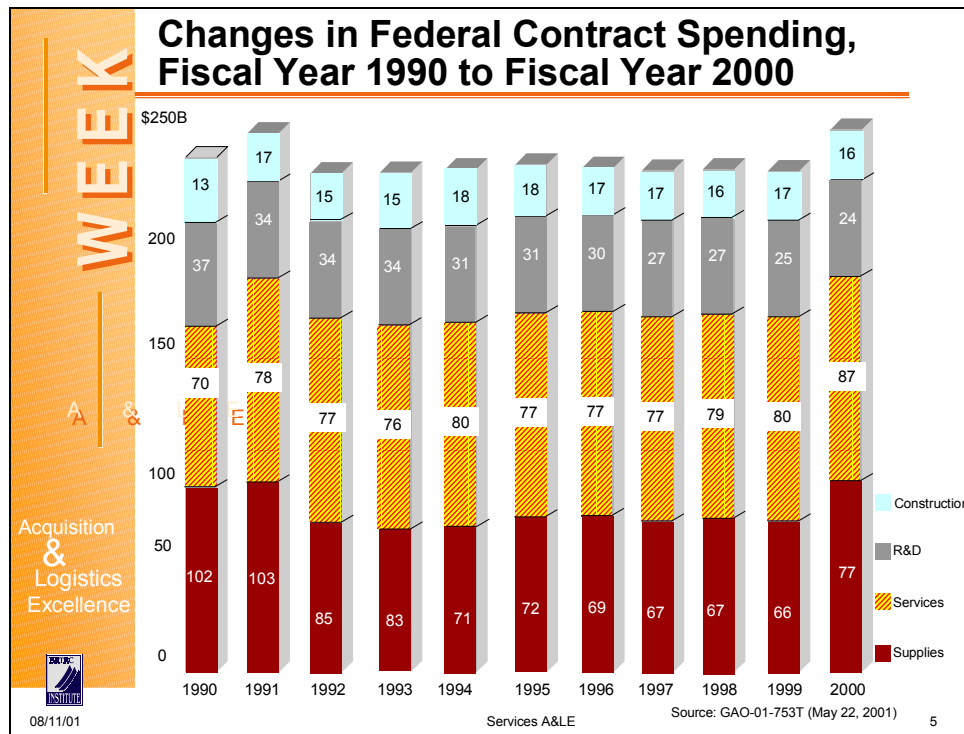
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A recent GAO report finds that significant increases in purchases of information technology services and management support services are driving forces in making services the largest spending category of federal procurement. [The following chart will illustrate this increase]

The report goes on to explain that the Government fails to get “it’s money’s worth” for two reasons: (1) an inability to describe performance outcomes rather than require processes (sometimes using obsolescent technology or technologies no longer in general use by the commercial sector. (2) A “process-oriented” statement of work requires not only higher levels of oversight but also subjective evaluations of performance which require more extensive rationale and backup.

[INSTRUCTOR NOTE: “Service Contracts” are defined in the Acronym/Definitions list]



Federal contracting began declining in the late 1980s as the Cold War drew to a close and defense spending decreased. This decline in federal contracting continued for most of the 1990s, reaching a low of about \$188 billion in fiscal year 1999. Spending subsequently increased to about \$204 billion in fiscal year 2000. As the graph shows, between fiscal year 1990 and fiscal year 2000, purchases of supplies and equipment [shown as red on the bottom] fell by about \$25 billion, while purchases of services increased by \$17 billion, or about 24 percent. Purchases for services now account for about 43 percent of federal contracting expenses—the largest single spending category.

The increase in the use of service contracts coincided with a 21-percent decrease in the federal workforce, which fell from about 2.25 million employees as of September 1990 to 1.78 million employees as of September 2000.


As federal spending and employment patterns were changing, changes were also occurring in the way that federal agencies buy services.

There has been a trend toward agencies purchasing professional services using contracts awarded and managed by other agencies. For example, in 1996, the General Services Administration (GSA) began offering information technology services under its Federal Supply Schedule program, and it now offers services ranging from professional engineering to laboratory testing and analysis to temporary clerical and professional support services. The use of the schedule program to acquire services has increased significantly over the past several years.

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Guiding Principles

- Use Performance-Based methods to acquire services.
- Fixed price and performance-based services are complementary strategies
- Use multi-functional acquisition teams
- Early planning is essential to determine requirements and to assess market conditions; it should include the user
- Acquisition strategies should be tailored based upon experience, market research and risk. PBSA is not “one size fits all.”
- Templates are only a partial solution. Work statements should be individually tailored to the requirement.
- Seek industry comment and suggestions regarding performance objectives, standards and incentives.

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The DoD Guidebook to Performance-Based Services Acquisition (Dec 2000) established these ‘guiding principles’:

To the maximum extent practicable, agencies shall use performance-based methods for acquiring services.

Fixed-price, performance-based commercial service acquisitions are complementary strategies that encourage commercial contractors to conduct business with DoD. [Note: This does not exclude cost-type contracts from the benefits of performance-based.]

Utilize a multi-functional acquisition team to the maximum extent practicable. [A multi-functional team is similar to an IPT in that all stake-holders to the outcome are involved.]

Early planning is essential in determining requirements and assessing market conditions. It should include the user and as many relevant acquisition team members as possible.

To maximize returns for all stakeholders, acquisition strategies should be tailored on the basis of experience, market research, and risk. Performance-Based Services Acquisition (PBSA) is not a “one size fits all” process.

WEEK

What is PBSA?

Performance-Based Services Acquisition involves acquisition strategies, methods and techniques that describe and communicate measurable outcomes rather than direct performance processes. It is structured around defining a service requirement in terms of performance objectives and providing contractors the latitude to determine how to meet those objectives. It is a method for acquiring what is required and placing the responsibility for how it is accomplished on the contractor.

Objectives:


⇒ Maximize Performance

⇒ Shift in Risk

⇒ Maximize Competition and Innovation

⇒ Achieve Savings

⇒ Encourage & promote the use of Commercial Services



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PBSA from the **DoD Guidebook**. The Guidebook definition closely parallels that found in the Federal Acquisition Regulation for performance-based services.

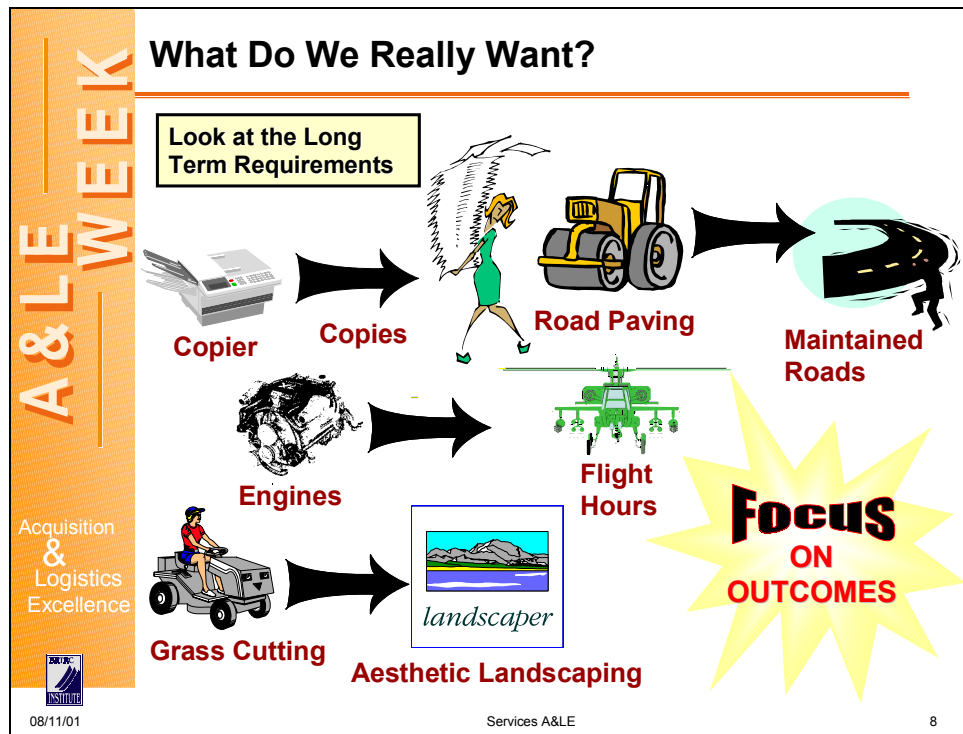
The objectives are those associated with performance-based services. Note that Increasing Competition and Maximizing Performance are continuing goals in federal procurement.

[Instructor: Ask the class why performance-based services shift risk: The discussion should include these points:

“Process” places the responsibility for a ‘correct’ process on the government. If a contractor follows a government-provided process and doesn’t meet the desired outcome, it’s a problem (RISK) for the government.

“Performance-Based” on the other hand, describes a desired outcome and places the responsibility (RISK) for a correct and efficient “process” on the contractor.]

Achieve Savings: PBSA has the **potential** to provide increased (better) performance to what the activity presently receives at the same price or a reduced price.



We must focus on our real needs. It is better to define the outcomes we desire in broad terms to allow for as much innovation in the marketplace as possible. For example: Do we need copy machines or copies? [Instructor note: Does (y)our activity use a “cost per copy” contract or do we still buy/lease copiers?] If we ask solely for copy machines, we have prescribed the solution we seek; and to be compliant companies must offer copy machines. By defining our **outcomes**, we may find more solutions in the marketplace that provide a better value.

Take the helicopter engine example. Perhaps instead of buying engines for training helicopters, our real need is to have training helicopters available to fly so many hours per month. We may opt to buy flight hours on training helicopters owned by a contractor who then becomes responsible for doing whatever it takes to make the helicopters available when they are needed and eliminates the Government's requirement to support and maintain a fleet of training helicopters. This way of approaching our requirements may cause a shift in the way we are used to thinking.

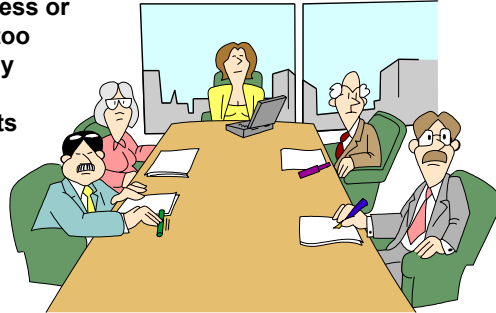


Un-Cover the “Real” Requirement

Express your Customer’s requirement in performance-based terms that can be incorporated into a PWS.

Screen Requirements

- Do they accurately portray the desired outcomes in performance terms understandable to the marketplace? If not, conduct additional market research for business practices
- Are they bound up in old practices, are they process or procedure oriented, or too narrowly focused to only one solution? If so, analyze the requirements for the real need.



Shown here is a process that the multi-functional team should use to evaluate the requirements. It begins with an assessment of the customer's stated requirements to insure they reflect the "real" desired outcomes. The requirements should be expressed in performance terms with definable outcomes. Encourage the team to ensure that the real outcome is expressed in a fashion that allows the greatest innovation from the marketplace. When you reach the point where your requirements are adequately expressed in performance terms that are understandable to the market place, you can move on to your market research of business practices and trends while updating the previous market data you had gathered. If your requirements are still calling for old practices, processes and procedures, or are too narrowly focused, then you should revisit the need. This may require more focused market research and discussion among the stakeholders to discern the real needs and outcomes.

WEEK

Preference for Performance-Based Contracting

FAC 97-25 (Fed Reg May 2, 2001)

...implements Section 821 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001. Section The rule affects contracting officers that buy services by explicitly establishing a preference for performance-based contracts or task orders

Interim Rule!

37.102 Policy (a) Performance-Based contracting is the preferred method for acquiring services...except for--

- A&E Services (Part 36)	- Utilities (Part 41)
- Construction (Part 36)	- Services incidental to supply purchases

Order of Preference:

1. Firm-Fixed Price Performance-Based contract or T.O.
2. Performance-Based contract or T.O., not firm-fixed price
3. A contract or T.O. that is not performance-based.

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[The comment period of this interim rule ended 2 July 2001.]

In early May of this year, the interim rule shown on the chart appeared in the *Federal Register*. The rule increased emphasis on performance-based services acquisition. For the first time, an order of preference is established [see chart].

[Instructor note: Ask how (y)our activity buys services. Do they use performance-based methods? Which number in the order of preference most closely represents their activity?]

The rule identifies exceptions - especially in the construction area.


WEEK

What Makes A Service “Performance-Based”?

- Requirements define work in measurable, mission-related terms
- Performance Standards tied to the Requirements
- Quality Assurance Plan describes how performance will be measured against standards
- Positive/Negative incentives tied to QA Plan measurements for critical requirements

What FAR says...

Structuring all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific, and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work. **2.101**


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This list is generated from the OFPP’s PBSC Checklist (August 8, 1997).

These are the Minimum Mandatory PBSC Requirements

1. Performance requirements that define the work in measurable, mission-related terms.
2. Performance standards (quality, quantity, timeliness) tied to performance requirements.
3. A QA plan that describes how the contractor’s performance will be measured against the performance standards.
4. If the acquisition is either critical to agency mission accomplishment or requires relatively large expenditures of funds, consider positive and negative incentives tied to the QA plan measurements.

FAR input is in the text block... A performance-based approach leverages the **innovation** of the commercial marketplace. Current practices and technologies may be woefully out of date. Allow commercial business to propose the same innovative methods and approaches used in the commercial sector.


WEEK

Performance-Based Contracting Goals

▲ Required Services

▲ Performance Standards

}




★ Ensure Quality levels achieved

★ Price paid is related to degree standards are met

Applied to Follow-on/Repetitive Requirements

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Two of the most important objectives of this policy:

- (1) PBC should ensure that required performance quality levels are achieved.
- (2) **Total payment** must be related to the degree that services performed met the contract standards!

Implementation of these policies is revolutionary!_

[Instructor Note: Ask how many of the participants have been associated with a government-procured service where the government paid 100% of the contract price but received less than 100% performance? -- The potential to end this cycle is what makes performance-based revolutionary!]

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Practical & Cultural Obstacles

Required Government Interfaces

- "Business as Usual"
- "We've Always Done It This Way "
- "Fear of the Unknown"
- "Don't Rock the Boat"
- "My Sandbox"
- "Not on MY Watch!"



Small Business Concerns/Bundling

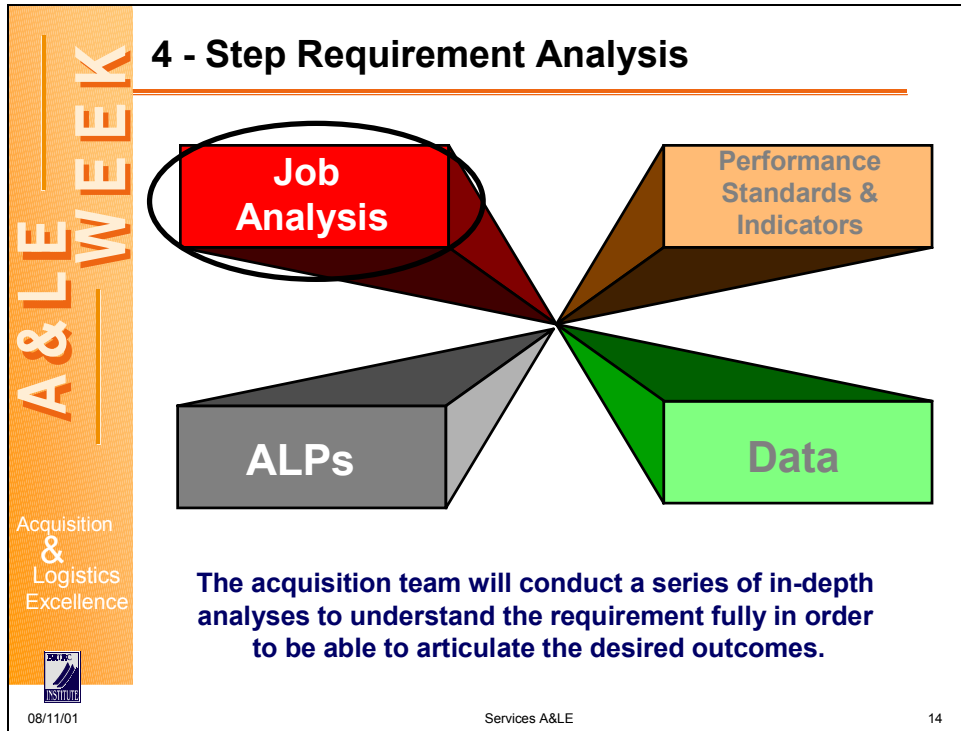
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There may be valid reasons for dictating a regulatory process or procedure. In some cases, Government unique interfaces tend to shape the nature of the requirement. They may be necessary to the functioning of the activity or component, but are not found in the marketplace as a normal course of doing business. For example, military vehicles are not maintained to commercial standards. Service technical manuals and directives prescribe how and when maintenance and repairs are accomplished.


Then there are cultural barriers that you will run in to. We've all heard these excuses for not changing the way we do business. They center on a complacency with the status quo and a fear to venture into unfamiliar territory. This is where the Multi-Functional Team (MFT) can help. By allowing all the stakeholders to participate in developing the requirements and the strategies, you can achieve a buy-in in a relatively non-threatening environment.



Requirements Analysis is really four separate analyses. The four analyses are shown on the chart. The first step (mouse click) is Job analysis.


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Customer Interview- the Multifunctional Team



Tasks

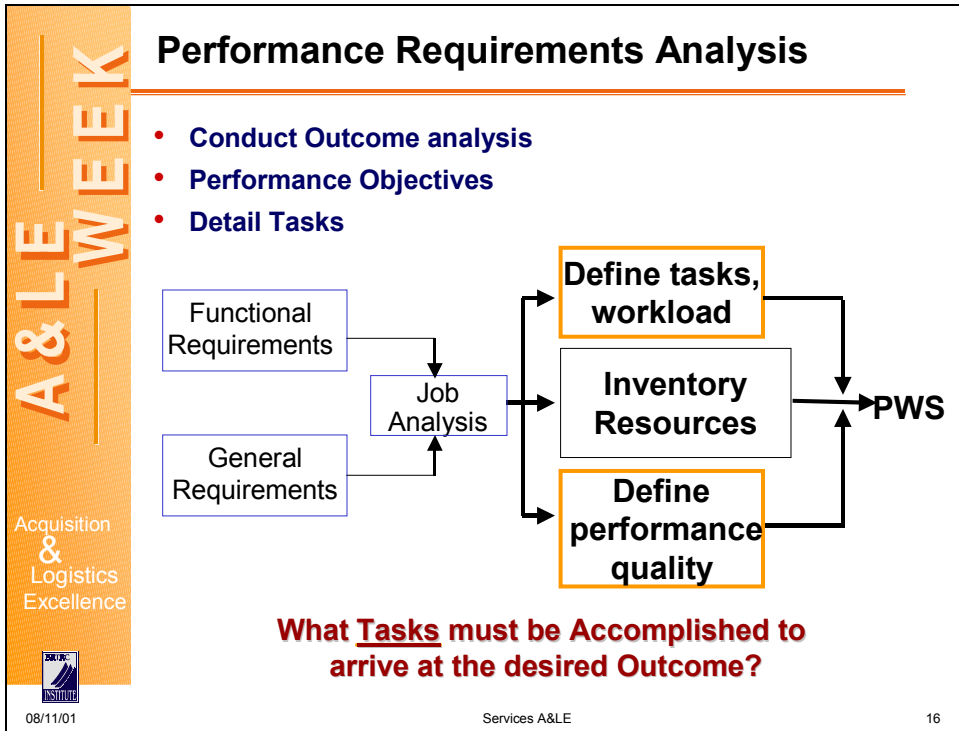
Standards

Quality

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Throughout all four steps, the multifunctional team identifies tasks, and refines performance standards, and metrics. The MFT builds a quality assurance plan to ensure outcomes meet standards.



From Job Analysis comes: (1) tasks and the associated workload- both historical and projected; (2) Resources- Government & Contractor provided - to do the job; (3) Measurable standards which state “how well” tasks must be performed.


WEEK


Job Analysis




... consists of:

- **Organizational Analysis**
- **Tree Diagramming**
- **Activity Analysis**





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Job Analysis: sorts essential tasks from those that are not. Essential tasks are required to complete the mission successfully. Job Analysis consists of [CHART].

ORG analysis: determines whether the mission statement is accurate and complete.

Tree diagramming: [CHART] breaks the work down into specific sub-divisions. The diagram captures required work from organizational analysis that the organization must do to fulfill its mission.

The tree diagram resembles an organization chart but breaks out tasks **functionally not organizationally**. The diagram should follow the workflow from beginning to end of the cycle.

Activity/Task Analysis: [CHART] states what **starts** a job, what takes place when doing a job and the outcome of the job (input-work-output). Activity analysis enables you to identify activities necessary to produce required services and those that are not.

WEEK

Organizational Analysis Template

Name of Organization	<i>Organization requiring the Service</i>
Requirement	<i>Description of the Top Level requirement</i>
Services Required	<i>Description of the services required by the organization</i> What? Where?
• Normal	<i>Daily/Routine Operations</i>
• Contingent	<i>Special Requirements, Surge Requirements</i>

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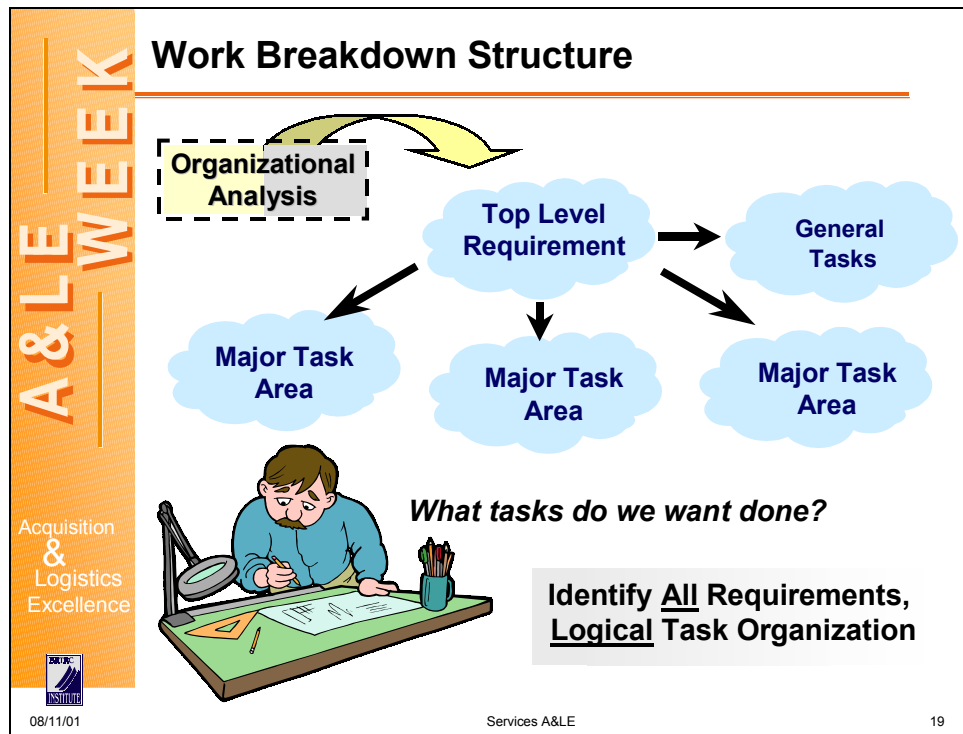
This is an Organizational Analysis template...

The mission statement is the organization's function and purpose for existence. Combined with organizational elements, it provides a framework for determining what services (outputs) are normally performed by the function. These outputs become the basis for the PWS.

Contingency in service contracts? Usually, it's one of these:

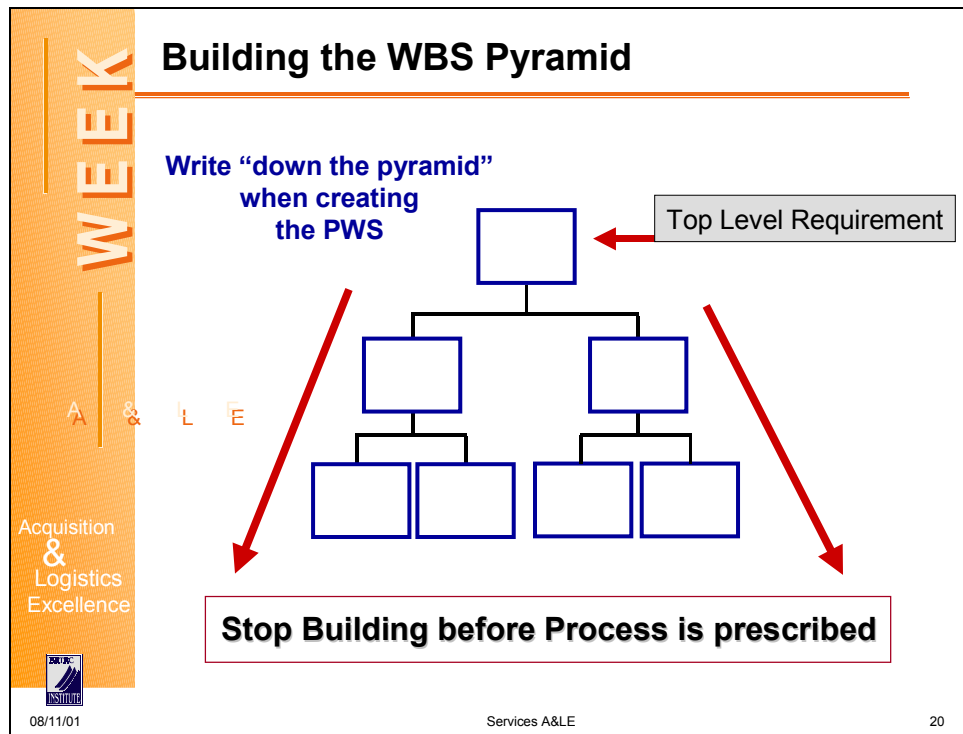
- Emergency
- Natural Disaster
- Labor Strike

Example: Provide base level transportation services. Base-wide trans service for use by personnel throughout the day from 0700 to 1800, seven days a week. Pick up and drop off to occur every 15 minutes at each of the 4 pickup and drop off locations. When notified of an operational contingency or exercise condition, trans service will be provided 24 hours, seven days a week.



Work Breakdown Structure is a decision tool to identify and organize requirements. Start with services identified during organizational analysis. Converting to a PWS requires you to be more specific about outcomes and less specific about the process to achieve them.

Identify the top level requirement in 2-3 words such as "Provide CUSTODIAL services." The "Top Level" requirement should look similar to the mission Statement on the Organizational Analysis template. Next level requirements are determined in the same way, creating a tree-shaped diagram. Breakdown the requirement using a logical flow of functional requirements and then establish tasks and link them. Use a tree diagram to outline each of the basic outcomes (those top-level perspectives) to ensure that you have considered all critical elements of the requirement.



A completed WBS resembles a pyramid. The Work Breakdown Structure facilitates task identification and organization. The PWS specific tasks can be written “down the pyramid”.

The pyramid should identify all required tasks but stop short of “how-to” solutions.

The pyramid forms the foundation of PWS organization.


WEEK

Activity Analysis: Information For The New PWS

Input
→
Work
→
Output

1. When does the Contractor take responsibility?
2. What are the performance constraints?
3. What is the significant outcome?
4. How can the efficiency of the Government's process be enhanced?

Include These in New PWS!

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Activity Analysis looks at the way requirements are met today. We are looking for answers to the 4 questions in the text block.

1. When does the Contractor take responsibility?

The government can hold the contractor accountable only for performance within its control. What steps (if any) must be accomplished by the government before contractor performance begins, e.g. validation of work, assign priority? The sooner the requirement is given to the contractor, the quicker performance will be received.

2. What are the performance constraints?

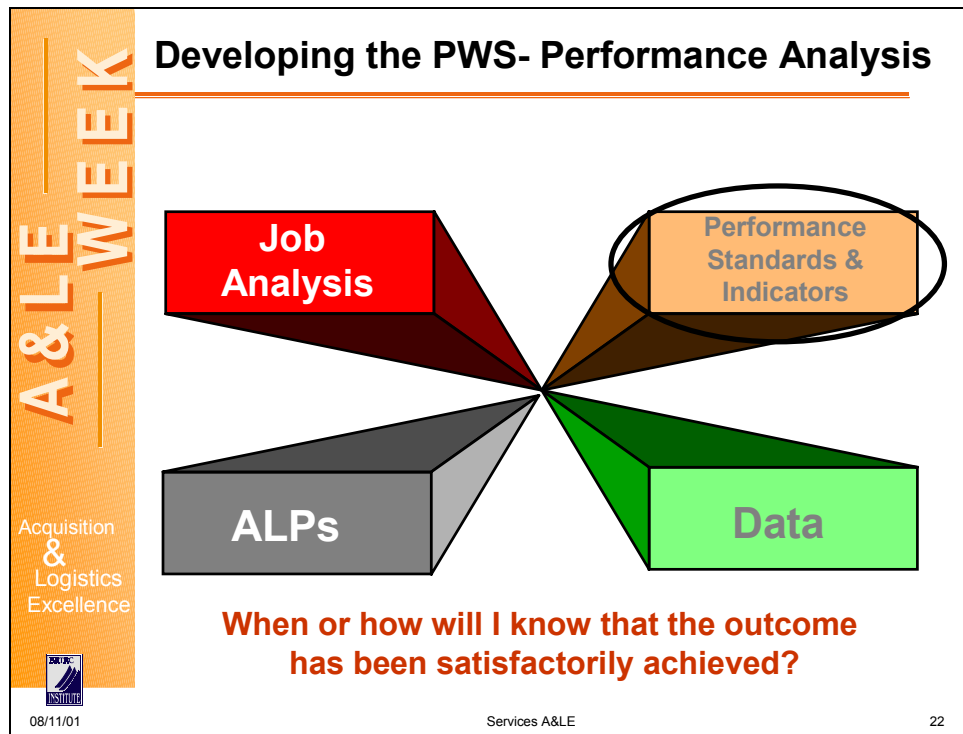
The government constrains contractors usually in *time* or *money*. For example, most contract janitorial work occurs after normal business hours so as not to interfere. Repair work or work orders have a price ceiling that requires government concurrence to exceed. Check the constraints to ensure they are current and realistic.

3. What is the significant outcome?

The significant outcome expresses the result *in performance terms* from the customer's perspective.

4. How can the efficiency of the Gov't's process be enhanced?

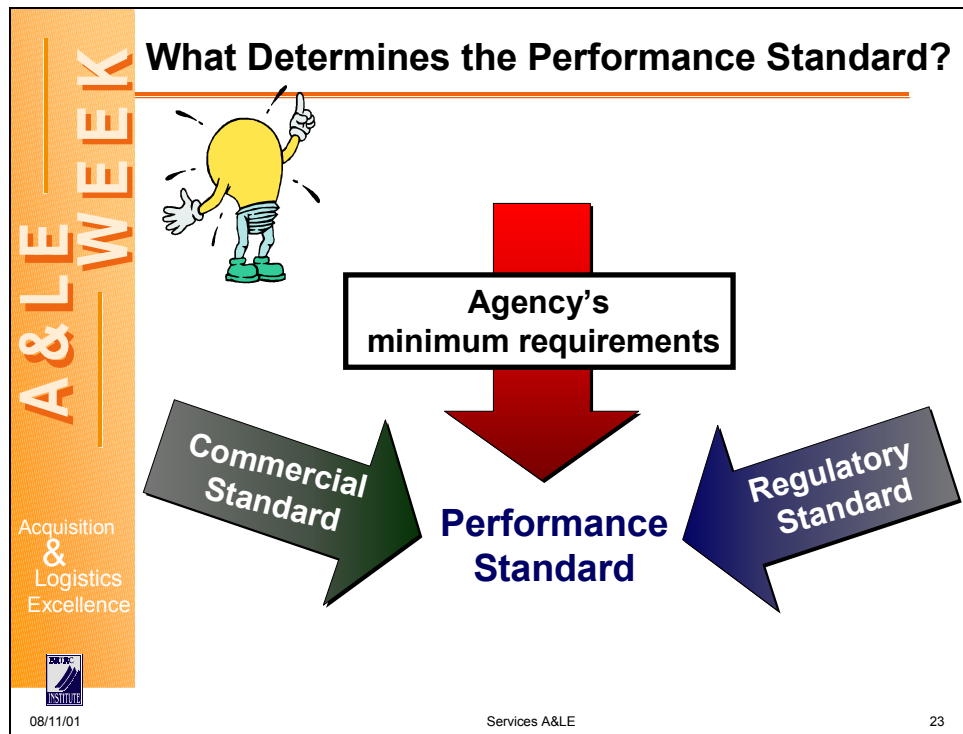
We should always look for opportunities to improve our process. One good way is to determine if all steps add value. Determine further if these steps may be consolidated or transferred to the contractor.



On the basis of the performance objectives, we next conduct a performance analysis to identify the appropriate performance standards. We must answer the question at the bottom of the chart: “When or how will I know that the outcome has been satisfactorily achieved?”

A performance analysis is a process that identifies how a performance objective should be measured and, thus, what performance standards, (e.g., timeliness or quality levels) are appropriate and reasonable for that particular performance objective.

Let's continue with Performance Standards...



Many service industries have developed their own standards to which they adhere or are governed by regulatory standards. These standards describe the level of performance to expect. The PWS must describe the Agency threshold or minimum requirements. If the industry standard meets the PWS requirement, you can be reasonably confident that a number of companies can provide the services.

If no commercial or regulatory standard exists, the multi-functional team must describe, in measurable terms, "how well" contractors must perform to meet the requirement threshold.


But remember Market Research: Quality issues are an important service characteristic. Costs vary depending on the level of quality. The cost of a 3% error rate should be greater than a 10% error rate. PWS quality standards may change if the commercial standard is higher and appears affordable.

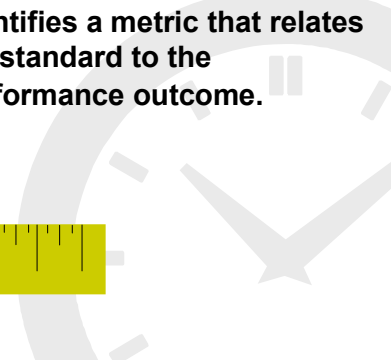
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Defining Performance Standards

Performance Standard: An acknowledged measure of comparison. Describes 'how well' a task must be performed.

Performance Indicator: A characteristic of an output that can be measured. Identifies a metric that relates the standard to the performance outcome.





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We'll use these definitions for performance standards and performance indicators (CHART). But "drill-down" with a real example of a performance standard and performance indicator.

[Instructor: ask for examples from the class and give them a moment to consider. Here are two to get the discussion started:

1. **Task**-Grass cutting,

Standard- Maintain grass not longer than 5" nor shorter than 3".

Indicator- Actual length of the grass.

2. **Task**- Operate Help Desk,

Standard- Respond to requests for assistance within two hours.

Indicator- Actual response time.

3. **Task**- provide Base-Wide Transportation,

Standard- Pickup and drop off at all points every 15 minutes.

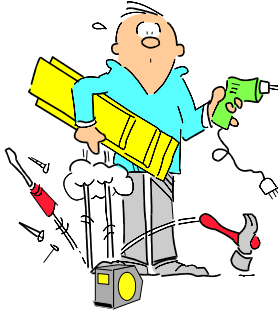
Indicator- "Actual Time"

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Metrics - Measurable Performance Indicators

- **Quality**
 - Failure rates
 - Customer satisfaction


- **Effectiveness**
 - % inoperable



- **Total Cost**
- **Timeliness**
 - Adherence to schedule
 - Response time
- **Quantity**
 - Performance bands
 - Completion rates

What will allow you to measure how well the process generates the output?

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How will you know whether performance was acceptable or not? The chart suggests areas where performance of services may be measured and some “how to” ideas. To determine whether the services requirements are met, the team must determine characteristics of the result which are measurable compare them to an appropriate performance standard. A reasonable standard bears some relation to the importance of the service.

Quality measures how well the outcomes are compared to the standard such as failure rates and customer complaints.

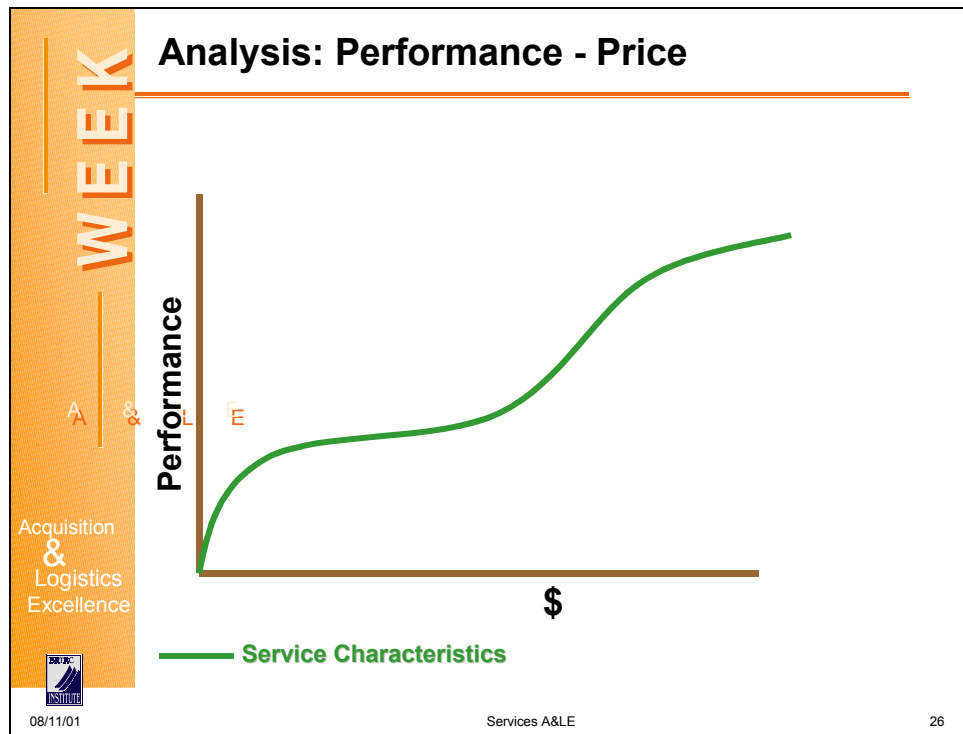
Timeliness measures the average elapsed time to complete a task such as response time, or average time between submission of a work request and completion of work.

Quantity measures the amount and level of work done - such as numbers or work orders completed, lines typed or customers processed.

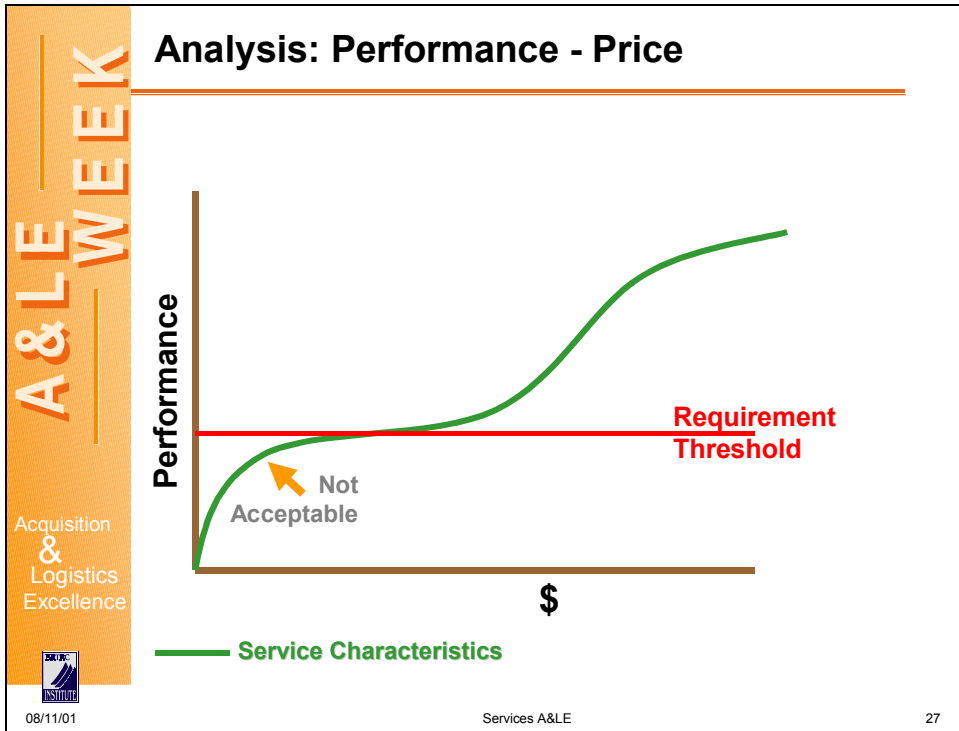
Effectiveness may measure the % of items inoperable due to non-availability of parts and equipment downtime rates.

Total cost as a measure is applicable when no other measure is adequate or when cost control is a major managerial responsibility. Can also be measured as UNIT cost.

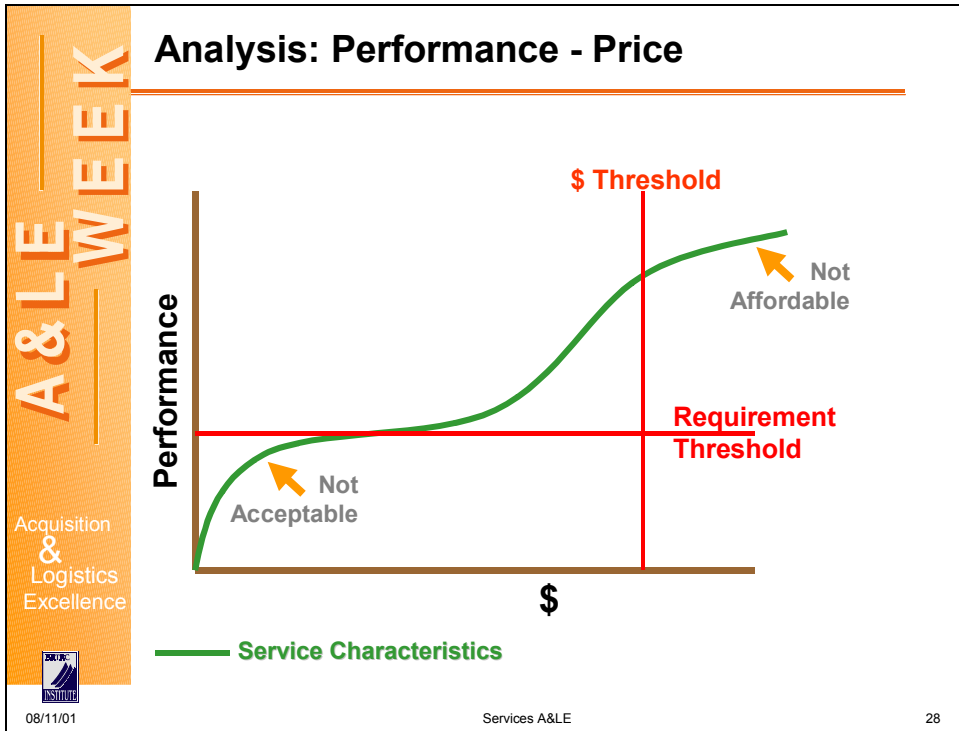
Agency directives may specify the performance indicator to use.



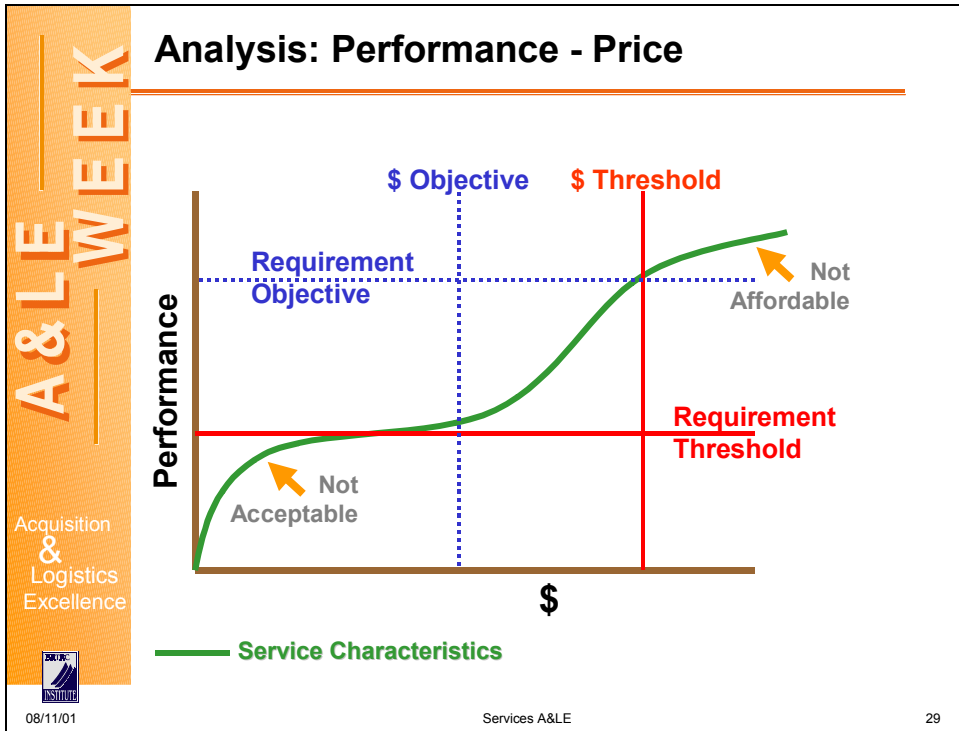
There is a relationship between price and performance but it is not a 1:1 relationship - that is, the line isn't straight. Note that at some points along the line, there is a significant increase in performance (where the slope of the line approaches vertical) for a small increase in price. At other places, there is a big increase in price for a small increase in performance (where the line approaches horizontal).



The threshold line establishes the minimal (threshold) level of performance required. Elements of the service characteristic line below the threshold show unacceptable performance.

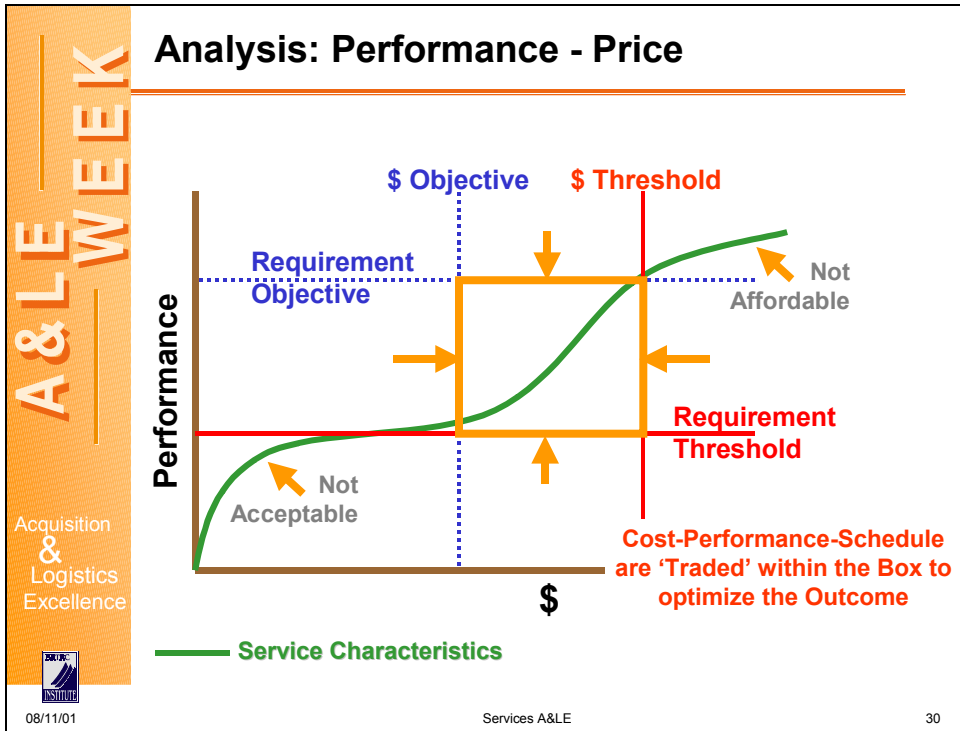


In addition to performance, there is a maximum number of dollars the agency is willing/able to pay for the service. This maximum figure is the price threshold. Beyond this line (to the right) performance, even though it may be better, is not affordable.



In general, exceeding the performance threshold or agreeing to pay less than the threshold price is desirable. For some services, the agency can actually define objective levels or performance or price.

The dotted lines on the chart represent these objective cost/price and performance lines.




These threshold and objective lines form a box within which the agency can 'tradeoff' price, schedule, and performance to obtain the best value.

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Systems of Performance Standards

- Define what Performance is important
- Relate to a result (rather than a process)
- Provide objective and quantifiable definitions
- Location-, Technology- neutral
- Include Contractor **control-able** results

Standards are based on a tradesperson,
at a skill level, with the right tools.



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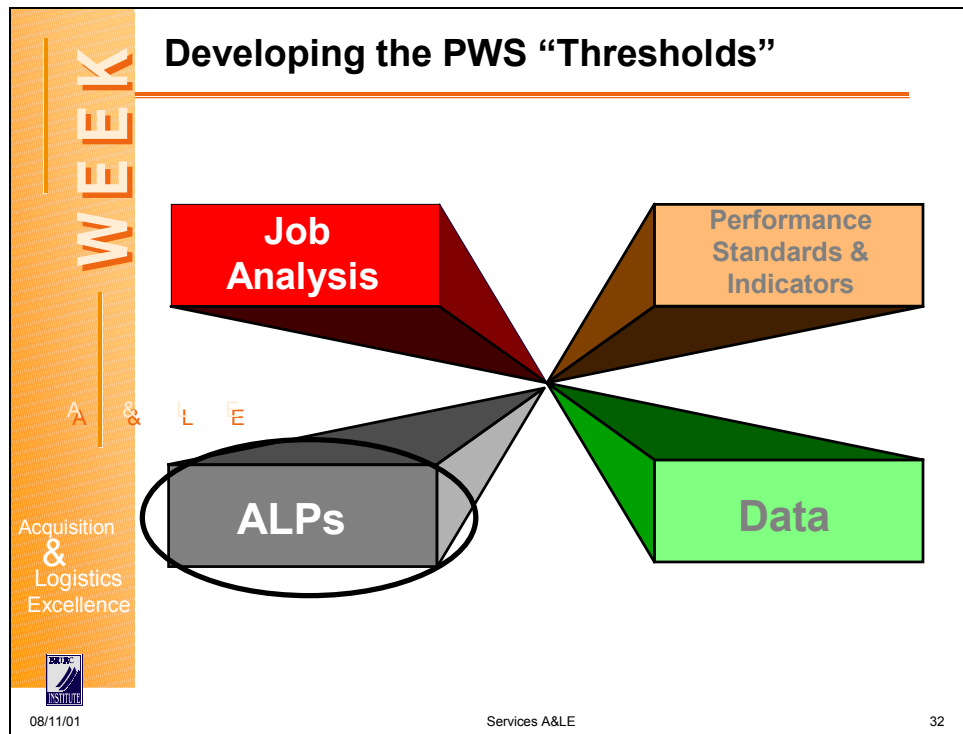
Define what performance is important to the organization within the scope of the PWS. Identify results rather than a process (“accuracy of data created” is better than “data created using two independent data-entry clerks”).

Objective and quantifiable definitions- “average time required to satisfy a customer inquiry” is more useful than “customer responsiveness.”

Neutral: metrics should be fair for comparison at other locations for the same performance.

Metrics should include results that are clearly under the control of the contractor. They should also allow the contractor flexibility in the manner of performance.

When writing standards, make a presumption that the work will be performance by a qualified person using appropriate tools and materials. [This is the same presumption we make when we take our vehicle to the dealer for repairs or maintenance.]




With the Performance Standards described, we must next consider the realities of an imperfect world, or rather a world where the closer you get to perfection, the higher the price you have to pay. Can you afford perfection when the industry standard is 95%?

In this step, you must identify ALPs, also known as thresholds. ALPs constitute a minimally acceptable level of performance and are typically stated as a percentage of required conformances (e.g., on time 95% of the time) or as a number of permissible deviations (e.g., 1 error per x time period). In developing ALPs, you are asking, “What minimum level of performance must be achieved to meet mission needs, as measured by the performance indicators, i.e. quality?” Every performance standard may not have an ALP. When a performance standard does not include an ALP, you are stating that no deviations are allowed in meeting the performance outcome.

Developing and setting ALPs are subjective determinations based on the needs of the mission, available expertise, and market research. Members of the multi-functional team should work closely with each other when developing ALPs.

<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; font-size: 2em; margin-right: 10px;">A&LE WEEK</div> <div> <h2 style="margin: 0;">Acceptable Levels of Performance</h2> </div> </div>		
Standard		ALP
Timeliness	Respond Within "X" Hours	4.0%
Quality	IAW Professional Standards	3.0%
Reporting	Complete/ Accurate Work Records	7.5%



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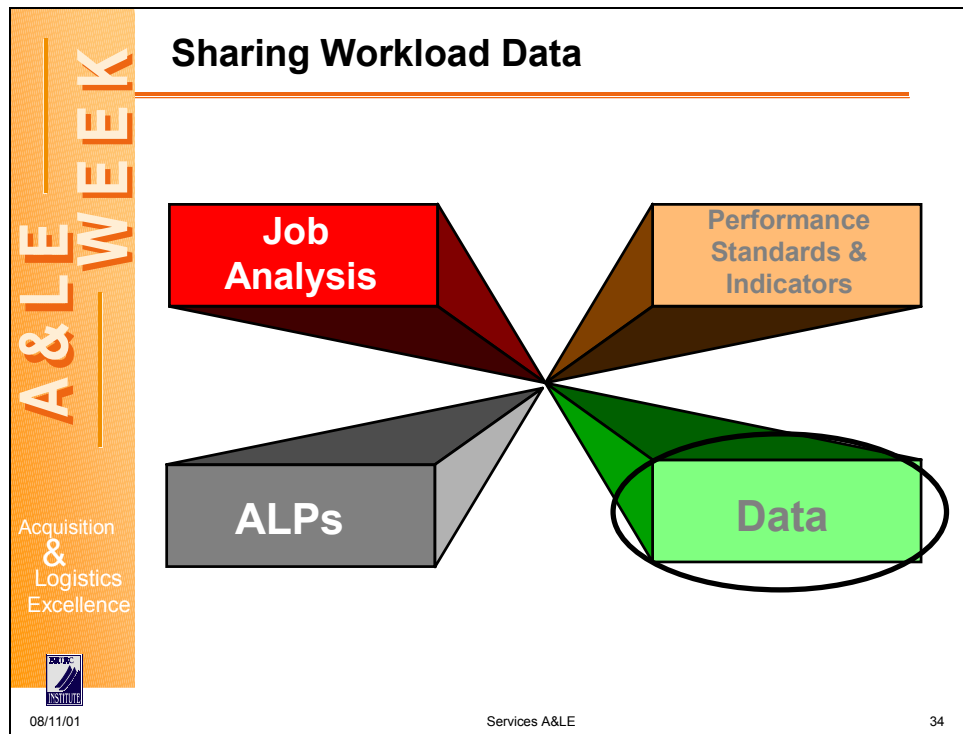
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No one is a consistently perfect performer, therefore establishing perfection as the performance standard for a service isn't realistic. Problems will cause some outputs not to meet the performance standards. DoD must determine the acceptable performance threshold for critical outputs- sometimes referred to as an Acceptable Level of Performance or ALP. The ALP describes the allowable variance from the performance standard before service becomes unacceptable.

ALPs may be stated as a % of the total outputs expected per month. If outputs are constant, the ALP may be a fixed number of below-standard outcomes. Using performance indicators and their standards, we determine what deviation rate to allow. The ALP will be a small number-perhaps zero-if the work is critical or deals with safety, health, or security.

The **chart** illustrates 3 commonly used standards and an associated ALP. The Timeliness standard is associated with a specific time indicator. The ALP says that of the tasks checked for timeliness, no action will be taken until more than 4% exceed the standard. Contrast that standard with Quality. The standard is a "Professional Standard". The ALP is 3%, but if a task is checked and does not meet the standard, we should require re-performance.

An ALP DOES NOT say the Contractor may knowingly offer defective services. It implies that defective performance happens unintentionally. As long as the defective performance does not exceed the ALP, the service will not be rejected. Defective services should be re-performed **when possible**.




In order to receive more concise and accurate proposals from industry, the activity must communicate workload data - e.g. information about the quantity of work that is contemplated during the period of performance.

Workload data includes historical and projected workload data and any surge requirements in the PWS. This type of information allows prospective contractors to predict manpower and supply needs more accurately as they relate to the specific requirement and thus to develop more realistic proposals.

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Workload Data

How Often?

**Cyclic?
Seasonal?**



**Associated
Skills?**

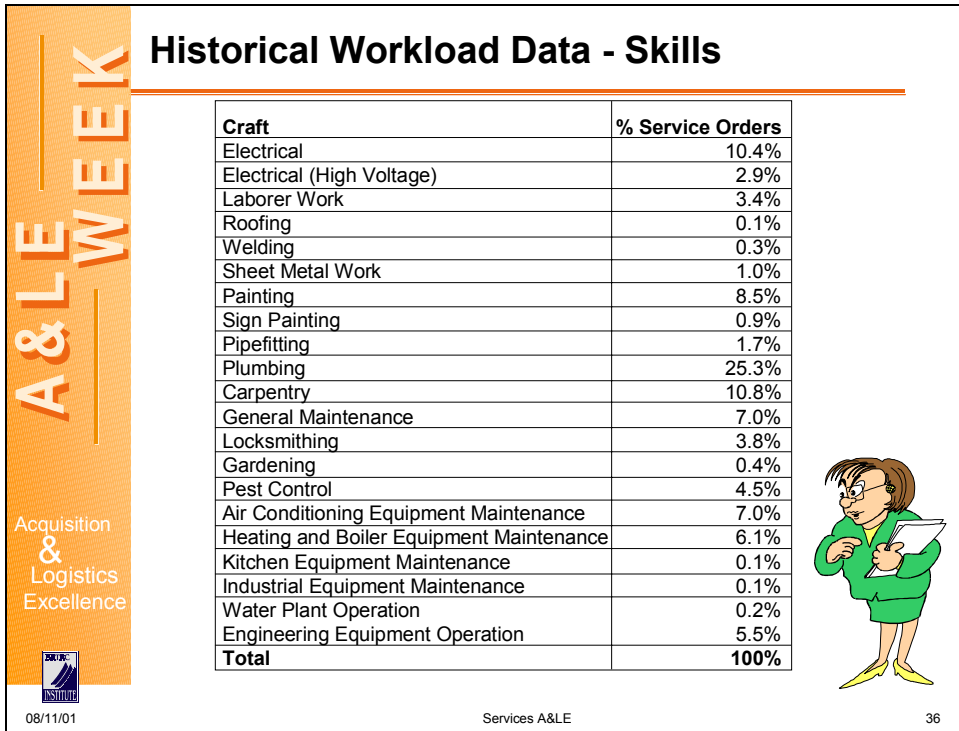
**Incidence of
Specific
Tasks?**

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The data that the Activity shares with industry relates to questions like those on the chart.

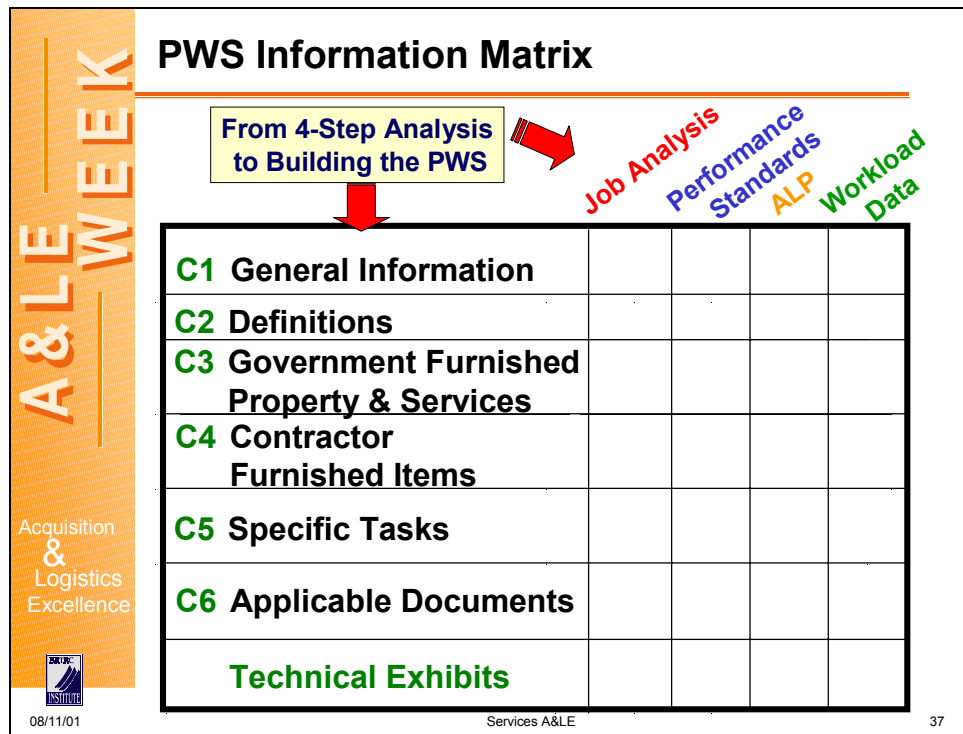
Consider including historical and projected workload data and any surge requirements in the PWS, as applicable. This type of information allows prospective contractors to predict manpower and supply needs more accurately as they relate to the specific requirement and thus to develop more realistic proposals.

Workload data are often available from existing management information systems, databases, and records. If workload data are not available, consider consulting with other agencies to obtain information on similar requirements. Some activities incorporate in their PWS a requirement to maintain accurate workload data that can be useful for future contract workload estimates



Put yourself in the place of a contractor for a moment. This chart shows an example of work data in a PWS. This sheet identifies skills required to perform work similar to that being solicited. This sheet would be one of many but let's concentrate on this sheet. As a contractor given this workload data, which skills might be in the highest demand if workload in the upcoming performance period follows a similar trend?

[Instructor: Participants should respond that the most highly demanded skills are Electrical, Plumbing, and Carpentry. These 3 skills account for more than 45% of the work. Caution that this data sheet is only one of many provided by the Activity!]



We have completed the 4-Step Requirements Analysis. The next step is to draft the PWS. The PWS format shown on the left side of the chart is used by a majority of DoD. It is compatible with both the Uniform Contract Format described in FAR Part 15 or the commercial contract format described in FAR Part 12.

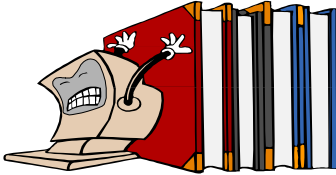
Note that the four steps of requirement analysis we discussed today head the columns of the matrix. A technique is to create a PWS information matrix that allows us to determine where our analysis information will fit into the PWS. Further, it identifies where the information for the PWS originates. Populating this information matrix will provide in a logical format the information the customer must convey to the contracting officer.

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PBSA References for the Professional

**Guidebook for Performance-Based
Services Acquisition (Dec 2000)
and
User's Guide to Performance-Based Payments
(Jan 2001)**

<http://www.acq.osd.mil/ar/initiati.htm#pbc>



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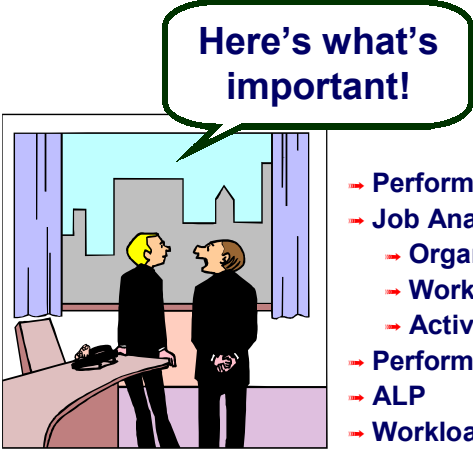
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These recent PBSA documents were incorporated into this module. They provide additional policy and guidance on performance-based services. They are “must have” references for anyone taking part in a performance-based services acquisition.


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Acquisition of Services



- Performance Outcomes
- Job Analysis
 - Organizational Analysis
 - Work Breakdown Structure
 - Activity Analysis
- Performance Standards
- ALP
- Workload Data

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We have discussed the rationale, benefits and requirements for using Performance Work Statements. The greatest benefit of PWS is an innovation of approach and technique that result in less risk, better performance and greater savings.

Performance-Based services rely on defining outcomes and transferring the performance risk to the contractor. This is in contrast with a traditional “process-based” system that tells industry “how” to do the work.

The 4-Step Requirements Analysis begins by identifying tasks (Job Analysis). Next, Performance Standards are developed and paired with Acceptable Levels of Performance. Finally Workload data is provided to industry to assist them in making ‘better’ proposals for our requirements.

Services Acquisition Acronym & Definitions

A&LE	Acquisition & Logistics Excellence
ALP	Acceptable Level of Performance
AMC	Army Materiel Command
ANSI	American National Standards Institute
ASTM	American Society for Testing & Materials
CAIV	Cost as an Independent Variable
CDRL	Contract Data Requirements Line
DoD	Department of Defense
FAC	Federal Acquisition Circular
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act
GFE	Government Furnished Equipment
GFF	Government Furnished Facilities
GFP	Government Furnished Property
MIS	Management Information System
OFPP	Office of Federal Procurement Policy
PBP	Performance-Based Payments
PBSA	Performance-Based Services Acquisition
PBSC	Performance-Based Service Contract
PRS	Performance Requirements Summary
PWS	Performance Work Statements
QA	Quality Assurance
QAE	Quality Assurance Evaluator

QASP	Quality Assurance Surveillance Plan
QC	Quality Control
RIT	Rapid Improvement Team
T.O.	Task Order
WBS	Work Breakdown Structure

Acceptable Level of Performance: The maximum percent defective, the maximum number of defects per hundred units, or the number of defects in a lot that can be considered satisfactory on the average. The allowable leeway or variance from a standard before the government will reject the specific service.

Best value means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

Clean: As used generally, means removal of dirt or impurities. As used for acceptance of work means gleaming, free from dirt, contamination, or impurities; unsoiled, unstained, recently laundered, fresh and unused, neat and tidy; having no flaws or roughness, clear, regular, or having few corrections.

Contracting Officer (KO): An individual appointed in accordance with procedures prescribed by the Federal Acquisition Regulation with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.

Contracting Officer's Representative (COR): Any person who has been appointed in writing as the authorized representative of the Contracting Officer acting within the limits of his authority.

Contractor: The term contractor as used herein refers to both the prime contractor and any subcontractors.

Directorate of Public Works (DPW): That activity which includes: All Real Property Maintenance Activity (RPMA) types of work and functions for functional categories such as Operation of Utilities; Maintenance and Repair of Real Property; Minor Construction; other Engineering Support to include entomology and custodial. Includes cost of family housing units and all services provided in operation of family housing facilities to include utilities, entomology, maintenance and repair, and Real Property incidental improvements.

Emergency: The reporting of sudden, usually unforeseen, occurrences where life or property are in immediate danger and require immediate action.

Emergency Service Request: A request for service (with short response time) when health, safety, or military mission will be adversely affected if the situation is not abated as soon as possible.

Maintenance: The recurring day-to-day, periodic, or scheduled work required to repair or maintain equipment and facilities in a specified condition, or to restore systems or components to initial or usable condition by overcoming the effects of breakdowns, wear and tear, damage, or deterioration. This includes work undertaken to prevent damage to a system or component which otherwise would be more costly to restore.

Performance-Based Contract: (FAR 2.101) Structuring all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific, and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work.

Performance Indicator: A characteristic of an output of a work process that can be measured.

Performance Standard: An acknowledged measure of comparison.

Performance Requirements Summary (PRS): The PRS shows contract requirements, the component requirements related to each contract requirement, the price of each work requirement as a percentage of the associated contract requirement (Fixed Price Contracts), the standard of performance, and the acceptable quality level (AQL) for each work requirement.

Performance Work Statement (PWS): The PWS consists of the definitive or descriptive words identifying the subject matter of the contract referred to as the specifications or work statement.

Quality Assurance (QA): Actions taken by the Government to inspect or check goods and services to determine that they meet or do not meet contract requirements.

Quality Assurance Surveillance Plan (QASP): An organized written document used by Government for quality assurance surveillance. Document contains sampling/ evaluation guides, checklists, and the performance requirements summary (PRS).

Quality Control Program (QC): Contractor's system to control the equipment, systems, or services so that they meet the contract requirements.

Random Sample: A sampling method where each service output in a lot has an equal chance of being selected.

Repair: Restoration of a RPF to such condition that it may effectively be used for its designated functional purpose. Repair may be overhaul, reprocessing, or replacement of deteriorated component parts, materials, or equipment. Repair includes correction of deficiencies in failed or failing components of existing facilities or systems to meet contract standards and codes where such work, for reasons of economy, should be done concurrently with restoration of failed or failing components.

Respond: The Contractor's action to mobilize his workforce at the work site capable of assessing the problem.

Service Contract: A contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply. A service contract may be either a nonpersonal or personal contract. It can also cover services performed by either professional or nonprofessional personnel whether on an individual or

organizational basis. Some of the areas in which service contracts are found include the following:

1. Maintenance, overhaul repair servicing, rehabilitation, salvage, modernization, or modification of supplies, systems, or equipment.
2. Routine recurring maintenance of real property.
3. Housekeeping and base services.
4. Advisory and assistance services.
5. Operation of Government-owned equipment facilities, and systems.
6. Communications services.
7. Architects-Engineering (see Subpart 36.6).
8. Transportation and related services (see Part 47).
9. Research and development (see Part 35).

FAR 37.101

Service Order (SO): Minor maintenance, repair, and installation within specified limit for which work hours and other resources are such that detailed estimating and scheduling are not economically justified.

Work Request: A work authorization document grouped into one to three categories: Individual Job Order, Standing Operations Order, or Service Order. Each work request is managed by techniques and procedures designed specifically for that category.

Working Hours: The hours designated by the Installation Commander for an activity to provide a product or service.